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Scoring points for your financial future

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Students who charge their education have a lot to learn

By Sandra Block
USA TODAY

Most freshman college students have credit cards, and many parents worry they'll use them to buy eyebrow rings and scandalous jeans. But the truth about college students and credit cards is even more disturbing.

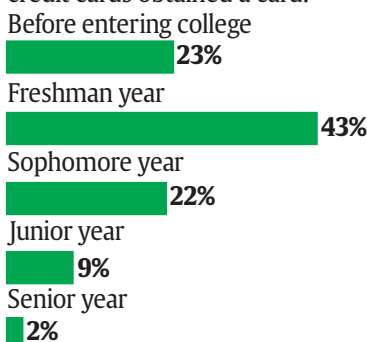
A new survey by the Smith College Women and Financial Independence program found that 23% of students are using credit cards to pay for tuition and fees. More than half said they used credit cards to buy textbooks and school supplies.

Some parents may find that news comforting, but they shouldn't. Students who use credit to pay for tuition risk graduating with a boatload of high-interest debt that could take decades to repay. About a quarter of students who paid tuition with a credit card had debt of more than \$5,000, vs. 11% of students who used their cards for other purposes, says Mahnaz Mahdavi, professor of economics at Smith. "That's a number that is rather alarming," she says.

With tuition costs rising, many

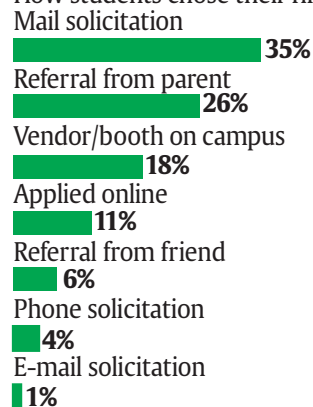
Credit cards and college

When college students with credit cards obtained a card:



Source: Nellie Mae

How students chose their first credit card:



Note: Totals do not up to 100% because of rounding.

By Robert W. Ahrens, USA TODAY

students are struggling to pay the bills. But, "Other than going to a pawnbroker or a payday advance place, credit cards are probably the most expensive source of money for students in college in terms of interest and fees," says Chris Chapman, chief executive of ALL Student Loan.

Some better alternatives:

► **Federal Stafford loans.** These loans are provided by private lenders or through the federal Direct Student Loan Program. Students can defer payments

on the loan until they graduate. When students start making payments, they may be able to deduct some of the interest from their taxes.

The interest rate on Stafford loans, which is adjusted every July 1, is 4.7% for borrowers who are still in school. Freshmen can borrow up to \$2,625.

It's not too late to apply for a Stafford loan, even for students starting college this fall, Chapman says. Students who have already filled out the Free Application for Federal Student Aid can

usually get a loan in a couple of weeks, he says. If you haven't submitted a FAFSA, it will take longer. Talk to your school's financial aid office for details.

► **Parent Loans for Undergraduate Students loans.** The biggest drawback to Stafford loans is the limit: For students attending high-cost schools, \$2,625 probably won't cover first-year bills. But parents can help fill the gap by applying for a PLUS loan. Parents can borrow any amount not covered by the student's financial aid, up to the full cost of attending college.

The interest rate on PLUS loans issued from July 1 to next June 30 is 6.1%. Parents have up to 10 years to repay the loan. If parents are reluctant to take on the debt, students can agree to make the payments. However, parents will be held responsible for the payments if the student falls behind.

► **Tuition payment plans.** Many colleges offer programs that allow families to spread tuition payments out over the course of the school year. These programs, which usually charge a

small fee, are useful for families with uneven incomes. Your financial aid office can provide more information.

Education needed

Students who are using credit cards to pay for college probably aren't doing it to rack up frequent-flier miles. More likely, they may not know there are better ways to borrow. Of students surveyed by Smith College, 55% said they had never taken a course about personal finance or economics. And most said they got information about finances and loans from friends and relatives, rather than financial professionals or their school's financial aid office.

The lack of education extends to parents. A recent survey by student loan provider Sallie Mae found that nearly 42% of parents had never heard of a PLUS loan.

Good credit

There is some good news about college students and credit cards. The

average undergraduate's credit card balance was \$2,169 in 2004, down 7% from 2001, according to a survey by student lender Nellie Mae.

Still, a lot of students are getting in over their heads. Only 21% of students surveyed by Nellie Mae pay their cards off every month; 44% pay more than the minimum but always carry a balance; and 11% make less than the minimum payment on some or all of their credit cards.

That's a troubling statistic because an overdue payment can trigger punishing late fees and cause your interest rate to skyrocket. Unmanageable credit card bills will also wreck your credit record, jeopardizing your ability to get a car loan, apartment and even a job.

Once you graduate, says Robert Manning, author of *Credit Card Nation*, your credit report "is ultimately more important than a grade point average."

Students who charge their education have a lot to learn

Objectives:

Student groups will:

- read and discuss the USA TODAY article, “Students who charge their education have a lot to learn.”
- adopt the role of financial professionals and create an outline for a course on paying for college. This task will require students to identify reliable sources of information, create discussion questions about pertinent issues and develop activities that reinforce the objectives of the course.
- evaluate the course outline (for reliability, organization, etc.) developed by a peer group.

Skills:

- research
- analysis
- synthesis
- evaluation
- peer teaching
- cooperative learning

Preparation:

1. Prior to the lesson, make a copy of the article for each student and a copy of the graphic organizer for each group.
2. Before reading the article, ask students: When you attend college, what costs do you incur other than tuition? How can students with little or no money pay for their college education? Why do you think the government offers student loans at fairly low interest rates? In other words, what does the country have to gain by making a college education more affordable? What do you think would happen if a student used a credit card to pay for her or his college tuition and other fees?
3. Distribute the article, “Students who charge their education have a lot to learn.” Have students read the story silently. As a class, discuss the questions on the following page.
4. Follow the instructions listed under “Activity” on the next page.

Activity at a glance:

- Grade level: 9-12
- Subjects: economics, family and consumer science, language arts
- Estimated time for this activity: 240+ minutes (The teacher determines how much of the assignment will be done in class and how much will be given as homework.)

Materials:

- Reading: “Students who charge their education have a lot to learn”
- Internet and/or library access
- Four-page graphic organizer, “Syllabus/Peer Evaluation” (one per group)

Students who charge their education have a lot to learn

Discussion:

Why is it financially unsound to pay college tuition bills with a credit card? What are some better options? Why are many students relying on credit, despite its disadvantages? Why is it important to pay credit card bills on time, and to pay more than the minimum balance? In what situations is a good credit rating more important than a high grade point average? Do you think personal finance classes should be required in high school and college?

Activity:

The article states: “Of students surveyed by Smith College, 55% said they had never taken a course about personal finance or economics. And most said they got information about finances and loans from friends and relatives, rather than financial professionals or their school's financial aid office. ... The lack of education extends to parents. A recent survey by student loan provider Sallie Mae found that nearly 42% of parents had never heard of a PLUS loan.”

Simply by reading the story, you have become more informed about managing the expense of college than many college students and their parents. In small groups, adopt the role of financial professionals who have been hired by your school district to educate 10th and 11th graders and their parents about college costs and loans. Using the graphic organizers on the following pages, devise a syllabus for a four-week class. Assume that students and parents will attend each ninety minute course together. For each lesson, identify the topic, select readings, create discussion questions and develop an engaging activity. Make sure your lessons are in a logical order.

After completing your syllabus, ask another group to use the “Peer Evaluation” checksheet to evaluate your course. Make the corrections and clarifications that your peer group recommends. Finally, copy your syllabus, and share the information with your parents.

Additional resources:

- Sallie Mae provides information on many types of loans, including Stafford, Plus, and community college. Visit www.salliemae.com.
- If you plan to attend college but are overwhelmed by the process of getting there, the National Association of College Admissions Counseling can help. The group provides a detailed timeline for getting from high-school to college. See their “Prep for College Calendar” at www.nacac.com/p&s.html.

Activity extension:

- Direct each student to choose four colleges that they are interested in attending. Two should be in-state (one public, one private) and two, out-of-state (one public, one private). Next, have individuals visit www.collegeboard.com and compare the fees for each institution. Finally, ask students to estimate the amount of debt they might accumulate at each school if they were to pay for their education entirely with student loans.

Syllabus

Instructors (Names of group members.)	<hr/> <hr/> <hr/>
Course title	<hr/>
Course objectives (The goals of the course. What students can expect to learn.)	► <hr/> ► <hr/> ► <hr/> ► <hr/>
Prerequisites (Courses, concepts and/or skills that attendees should have already mastered.)	<hr/> <hr/> <hr/> <hr/>

Week 1

Lesson title	<hr/>
Readings (Minimum of two. Attach copies of articles from newspapers or magazines. Give the web addresses for materials available online.)	► <hr/> ► <hr/> ► <hr/> ► <hr/>
Discussion questions (What issues do you want students to think about? What questions will they have?)	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
Assignment (In the space provided, write instructions for a brief and engaging in-class activity or home-work assignment. The activity should reinforce the concepts covered in the lesson.)	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

Syllabus

Week 2

Lesson title	
Readings (Minimum of two. Attach copies of articles from newspapers or magazines. Give the web addresses for materials available online.)	▶ _____ ▶ _____ ▶ _____ ▶ _____
Discussion questions (What issues do you want students to think about? What questions will they have?)	_____ _____ _____ _____ _____ _____
Assignment (In the space provided, write instructions for a brief and engaging in-class activity or home-work assignment. The activity should reinforce the concepts covered in the lesson.)	_____ _____ _____ _____ _____ _____

Week 3

Lesson title	
Readings (Minimum of two. Attach copies of articles from newspapers or magazines. Give the web addresses for materials available online.)	▶ _____ ▶ _____ ▶ _____ ▶ _____
Discussion questions (What issues do you want students to think about? What questions will they have?)	_____ _____ _____ _____ _____ _____
Assignment (In the space provided, write instructions for a brief and engaging in-class activity or home-work assignment. The activity should reinforce the concepts covered in the lesson.)	_____ _____ _____ _____ _____ _____

Syllabus

Week 4

Lesson title	
Readings (Minimum of two. Attach copies of articles from newspapers or magazines. Give the web addresses for materials available online.)	▶ _____ ▶ _____ ▶ _____ ▶ _____
Discussion questions (What issues do you want students to think about? What questions will they have?)	_____ _____ _____ _____ _____ _____
Assignment (In the space provided, write instructions for a brief and engaging in-class activity or home-work assignment. The activity should reinforce the concepts covered in the lesson.)	_____ _____ _____ _____ _____ _____

Peer Evaluation

WEEK 1	▶ Title of lesson is:	1 uninspiring.	2	3	4	5 clear and piques curiosity.	
	▶ Are readings attached?	Yes	No	▶ Are web addresses all correct?		Yes	No
	▶ Readings are:	1 difficult to understand and/or don't relate to topic.	2	3	4	5 informative and relevant.	
	▶ Discussion questions are:	1 too easy (yes/no), irrelevant or unclear.	2	3	4	5 thought-provoking and important.	
	▶ Assignment is:	1 dull, unclear and/or doesn't motivate students.	2	3	4	5 engaging, clear and teaches a lesson.	

Recommended changes (If information is inaccurate or unclear, how should it be corrected?):

Peer Evaluation

WEEK 2	► Title of lesson is:	1 uninspiring.	2	3	4	5 clear and piques curiosity.
	► Are readings attached? Yes No	► Are web addresses all correct? Yes No				
	► Readings are:	1 difficult to understand and/or don't relate to topic.	2	3	4	5 informative and relevant.
	► Discussion questions are:	1 too easy (yes/no), irrelevant or unclear.	2	3	4	5 thought-provoking and important.
	► Assignment is:	1 dull, unclear and/or doesn't motivate students.	2	3	4	5 engaging, clear and teaches a lesson.

Recommended changes (If information is inaccurate or unclear, how should it be corrected?):

WEEK 3	► Title of lesson is:	1 uninspiring.	2	3	4	5 clear and piques curiosity.
	► Are readings attached? Yes No	► Are web addresses all correct? Yes No				
	► Readings are:	1 difficult to understand and/or don't relate to topic.	2	3	4	5 informative and relevant.
	► Discussion questions are:	1 too easy (yes/no), irrelevant or unclear.	2	3	4	5 thought-provoking and important.
	► Assignment is:	1 dull, unclear and/or doesn't motivate students.	2	3	4	5 engaging, clear and teaches a lesson.

Recommended changes (If information is inaccurate or unclear, how should it be corrected?):

Peer Evaluation

W E E K 4	► Title of lesson is:	1 uninspiring.	2	3	4	5 clear and piques curiosity.		
	► Are readings attached?	Yes	No	► Are web addresses all correct?			Yes	No
	► Readings are:	1 difficult to understand and/or don't relate to topic.	2	3	4	5 informative and relevant.		
	► Discussion questions are:	1 too easy (yes/no), irrelevant or unclear.	2	3	4	5 thought-provoking and important.		
	► Assignment is:	1 dull, unclear and/or does- n't motivate students.	2	3	4	5 engaging, clear and teaches a lesson.		

Recommended changes (If information is inaccurate or unclear, how should it be corrected?):

Other comments:_____

Names of evaluators:_____
